

NAPA COMPENSATION  
QUESTIONNAIRE NOTES

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Date(s) of Interview: 9/15- Comp & Benefits & STAT  
Relocation Mgr. for Sales, Service, Industry/Government marketing,  
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9/16- Employment Mgr., (508) 493-7722.  
10/13- Comp Mgr-Mfg. & Engineering, (508) 493-1974 STAT  
10/25- Revised per

I. Compensation System:

What is compensation approach? (How organization manages and why).  
DEC manages through committees. DEC wants to pay like the market,  
but does not follow it slavishly. Their S&E salary surveys are all  
third party.

The SIRS and SSS surveys are benchmark type. On the benchmark  
surveys, they are mindful of possible perturbations due to  
differing promotional practices and benchmarking inaccuracies  
because of efforts to match seven job families to four job families  
in the survey, and difficulties in matching higher level  
supervisory positions due to bonuses, stock options and other  
perks. They also participate in the IBM survey which is a  
maturity type survey they use to confirm the results of the other  
two.

A. Hire at, above, or below market salary rates, recruitment  
bonuses used? Corporate objective is to hire in the lower,  
mid-range of the market, but will compete aggressively for certain  
specialities and top candidates.

1. Entry vs.. senior level hires. DEC is aggressive in  
salary offers for senior people.

B. Geographic vs. national pay schedules and why. Have a national  
structure, but will administer higher pay rates to acknowledge  
higher salaries--so far west coast, New York City, and Boston.  
Geographic and job differences are generally recognized.

C. What are special compensation programs for supervisors and  
non-managerial staff? Do have a dual ladder up to line below  
the Executive Committee (which includes the President; V.P.'s  
for Manufacturing, Engineering, & Product Marketing; Sales,  
Service, Marketing, & International; Chief Financial Officer; and  
Strategic Resources). For a Nobel type (Senior Consulting  
Engineer), this could mean a very high salary.  
Across the whole Corporation- 125,000 people, there are only a few  
Senior Consulting Engineers.

D. Pay adjustments--Based on market, profitability or ?

1. Increase or Salary Management? Salary Management system.

2. Frequency. Most are on a 12 month cycle. However, they are spreading out the increases to 15-18 months for very senior, relatively well paid people.

3. Merit increase distributions (common date or Anniversary; exceptions or mid-years) based on individual's performance. DEC uses an Anniversary basis.

4. Amount of increase tied to performance? Their Salary Management system integrates the overall value of the employee's contribution and the current salary level vs. the target salary level to arrive at an appropriate change in salary.

5. Can non-supervisory pay equal or exceed executive pay? (dual ladder-have it; your views). DEC has a dual ladder approach and it is viewed very positively. The top of the ladder is equivalent to a Vice President.

6. Lead, lead/lag or lag; market target at x % +/- market? DEC targets lead/lead in relation to market.

E. How important is uniformity of pay across different business lines and organizations?

1. Uniformity/2. Flexibility DEC positions each function relative to their respective market positions.

3. Problems/Issues There are active discussions about how different functional elements relate to market. There has been a tradition of tying tightly to market. Manufacturing takes functional cuts(Engineering, Finance, etc.) and the Plants manage all functional elements in an aggregate rather than functional basis.

F. Roughly what portion of total compensation is bonuses or other forms of at risk pay? Don't pay bonuses. But do have a restricted stock option program for outstanding technical leaders on the Engineering side. ~~Only about the top 2% of the engineering population receive this.~~ *This program is restricted to a small percentage of the population.*

G. What is purpose of putting pay at risk? Motivational tool and helps keep base salaries in bounds while still rewarding outstanding performers.

H. Who can make exception to your start salary rules? What can they change?

1. National office only? (What can they waive?)
2. Division VP?
3. Manager/Supervisor?

I. Added Compensation for passing clearance (lifestyle restrictions--can't publish, etc.) No issue.

J. Premium pay (overtime, hazardous duty pay) for professional employees?

1. Do have it? No overtime or Hazardous duty pay for professionals.
2. Who is eligible and under what circumstances? N/A.

K. What do you disclose about your pay system to employees?

1. Classification descriptions? Yes
2. Rate ranges? Yes, their own only; Managers have access to all.
3. Policies/procedures? Yes
4. Individual pay rates? No
5. Other? The exact process of how they relate to market and how they manage their salaries.

## II. RECRUITING APPROACH--[REDACTED]--9/16/88

STAT

What do you sell to recruit staff?

The most attractive thing is the THEME, "DEC has it now"

- Products & Services; World-wide integrated computer solutions. New graduates and experienced people like this.

--The company is 38th in the Fortune 500

--High profit in last 3-4 years

--Entrepreneurial values & culture--risk takers!

--Cutting Edge of Technology, but without the THIN ICE--there is stability!

New Graduates:

On college campuses, DEC provides computer equipment, scholarships, demonstrates their solutions, has coop programs and internships. They target energies to specific colleges and universities; and work for affirmative action as a priority.

Experienced: Have traditional things:

--Newspaper recruitment ads

--Rarely use employment agencies or executive search firms, but will do so for special skills.

--Careful to try to avoid hiring from customers. If DEC is approached by a candidate from a customer and DEC is interested, DEC asks the candidate to go back to his/her company, and explain their interest in DEC in order to give the customer a fair chance to retain the employee. The goal is to treat customers fairly and to set expectations properly.

--Job Fairs--market them as hard to get invited to technical symposiums, of where DEC is on the outer edges of technology. Have invitation lists, advertise on the business pages.

--Employee referral programs--Play on pride and ownership (have an employee stock ownership program) of employees. NOW campaign--Name Other Winners; this is a win for all. If someone referred is hired (at all levels), DEC gives the employee a dinner not to exceed \$100. The previous campaign was RSVP (Refer Special Valuable People).

DEC seems to use a lot of imagination and creativity in its approaches to hiring top flight people, as exemplified by the above. This type of approach that while the company is big (125,000 employees), it is dynamic, on-the-move, not stodgy.

- A. Salary
- B. Benefits including deferred compensation Have a stock grant program (noted above).
- C. Career with firm sell the long term career.
- D. Opportunity to work with latest technology
- E. Importance of projects, to?
- F. Profit sharing
- G. Perquisites (work environment)
- H. Ability to work with first class organization (yours)
  - a. best minds
  - b. at cutting edge, or?
  - c. ?
- I. New Grad training program?
- J. Any other thoughts/concepts?

### III. Special Recruiting-New PhD or experienced?

What would do to attract a world class talent (PhD in Mathematics, MIT - exception, not pipeline talent.

A. Would you make exception to your normal classification /compensation rules? Have a lot of flexibility, very wide salary ranges, but conscious of internal equity.

B. If so, on what basis? Sell the long term career rather than the short term.

- 1. Work environment
- 2. How much flexibility to keep a hook in them?
- 3. Conflict of interest issues? Competition?

C. How do you pay top people?

- 1. Pros/Cons or problems in your system.

A real problem is how long can you keep candidates alive and in the pipeline when Governments projects are slow to get started? The clearance problem means they sometimes hire those who have clearances.

### IV. Workforce Concept

What kind of workforce concept are you operating under?

A. Lifetime career, no layoff? DEC does not have a no layoff policy. Talk about stability. Hire people based on continuing career. Do careful workforce planning, training, etc. so employees don't become obsolete--DEC is looks at current work and needs 3 - 5 years into the future.

B. Only for duration of project?

C. Hire cutting edge recruits from school; edge out with slow raises after a few years, or? Do salary planning every year, each manager manages their salary kitty based on

rankings, spreads and curves. Managers are expected to work the problems and are held accountable for results.

D. Fully experienced, proven talent from other organizations? Not their normal approach.

E. Government/Military as a source?

As a valued customer, if people want to come to DEC, then they go through the "~~right of first refusal~~" approach they follow with ~~other~~ experienced hires from valued customers before the offer is made.

*some*  
*Concept already discussed*  
*Other*

F. Revitalization of burned-out people? If so what, what conditions?

Yes. DEC has employee assistance programs for those who require assistance--family stress, financial, etc. Assistance includes referrals to various community resources, Leave Without Pay, and so on. Really try to accomodate.

#### V. Employee Mobility

Do you move your professional staff? What levels? (e.g. Management only? Technical? Moves are considered based on the proper balance between the Company's needs and the Employee's career needs. Avoid making moves where they can.

A. What problems, if any, are you having? Some people simply don't want to go, and DEC doesn't push it. In particular, some locations are harder to get people to move to.

B. What solutions are you using that work best?

C How do you keep transferees whole?

1. Family- Have 3rd party home purchase, mortgage assistance, temporary living allowances, househunting trips, etc. Do a general "red carpet" thing where an on-site employee shows the transferee around the area.
2. Spouse- If a DEC employee, they try to place them at the new location.
3. Second wage earner
4. Schools
5. Other
6. Additional services offered?

#### VI. General Support

Do you have:

A. Second career support - Outplacement activity/consultant? Don't have an up or out policy. They may utilize outplacement support under special circumstances.

B. Do you rely on short term "borrowing" of staff from research organizations/universities. etc. (conditions 18-24 months; person goes back to prior job) - Conflict of interest, sabbatical issues? No.

C. Flexible Benefits (Upper mid-level to below Officer)  
The Corporation is currently reviewing this approach.

T.  added comments:

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The IC should look at the messages they are sending to their people.

Hiring should be centralized, it would eliminate competition between the agencies, and may yield other benefits of cooperation.

Recruitment ads are scary, standards are too high, look inflexible. Perhaps they should say they would be willing to train; stop being so rigid.

Look at strategies.

Turn their business into an attraction

Have an 18 month training/familiarization program.